



Financial Inclusion and Postal Banking Workshop

National Treasury
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Overview

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Introduction

- SA has a well developed financial sector
- 17 registered banks, 2 registered mutual banks and 14 registered local branches of foreign banks
- Banking sector assets amounted to R3,2 trillion at the end of 2008 (four big banks constituted 84.4%)
- At the end of Dec 2008 the H-index was 0.189 showing a highly concentrated industry
- Foreign banks concentrate on corporate banking
 - Retail banking competition is limited to the big four



What is financial inclusion?

- a continuous process of expanding access and usage of financial services and products to previously excluded population segments
- Our strategy also focuses on exclusion of both SMMEs and retail financial services consumers



Why financial inclusion matters

- Impact on economic growth and development
- Inclusion-focused financial development will reduce poverty and inequality
- Credit reduces intergenerational inequality, through borrowing for business and education
- Insurance cushions against adverse shocks, ex. burial societies in SA
- Bank account allows for savings and safe storage



Financial inclusion indicators^{Alvinah2}

- Bank account, 47% in 2005 and 63% in 2008
- Credit or loan, currently 28 % claims to be borrowing
- Insurance, short term is 10% and long term 12%
- Remittances, no data available
- Savings, 6% in 2006 and 13 % in 2008

Diapositive 6

Alvinah2 when talking to this slide, you can mention the Finscope Survey of which Treasury is a syndicate member.
0531; 06.11.2009



Policy Interventions

- Financial Sector Charter (FSC)
 - Forum between government, financial sector and civil society to determine the framework for Black Economic Empowerment (BEE) and financial inclusion in the financial sector
 - Comprehensive targets for 2004-08 established, including access to financial services, ownership and human resource development
 - Mzansi basic bank account launched Oct 2004. Reduced regulation and fees.



Policy interventions

□ **Co-operatives Banks Act**

- Provides for the registration of deposit taking financial services co-operatives and the establishment of co-operative banks' supervisors and a development agency for co-operative banks
- Member based



Policy Interventions

- **Dedicated Banks Bill**
 - Savings banks and Savings and Loan banks
 - Banking facilities limited to deposit taking, lending & payment services
 - Rationale is to enhance physical access and competition
 - Capital requirement = R50m

- **Deposit Insurance**
 - Protect small deposits
 - Enhance competition

- **Development Finance Institutions** (e.g. Samaf, Khula, National Youth Development Agency, etc.)



Regulatory Framework

- Different pieces of legislation regulate the financial sector
 - Banks are regulated by the bank supervision department of the SA Reserve Bank
 - Insurance companies are regulated by the Financial Services Board
 - Credit providers are regulated by the National Credit Regulator



Regulatory framework

- ❑ Systemic risk or contagion effect associated with bank runs and bank failure [Alvinah1](#)
- ❑ There is one licence for all banks in terms of the Banks Act, (excl. mutual or cooperative banks)
- ❑ Allows for all banking activities on the part of the licensee
- ❑ Licence also allows for participation in the National Payment System

Diapositive 11

Alvinah1 why something is allowed to one financial institution and not to others or what are the origins of these differences in regulation
0531; 04.11.2009



Regulatory framework

- Postbank operates under exclusion from Banks Act
 - Operates as a (division of a) statutory entity
 - Business mandate limited to deposit-taking and related services (No credit extension)
 - Not regulated or supervised by the Registrar of Banks
 - Can not directly participate in the payment system
 - Conducts insurance as an agent of a licensed third party



Recent developments

- ❑ Postbank is being restructured to become a company
- ❑ Postbank will then apply for a full banking licence
- ❑ Postbank will be supervised and regulated
- ❑ Meanwhile, legislation has been amended to allow non-banks in the NPS



Thank You
